

1.2. Ukraine And Georgia In The International Rankings “Doing Business” And “Paying Taxes” Under The Conditions Of Activation Of Eu-Integration Processes

The development of entrepreneurship and creating a favorable environment for its functioning is a priority of the state, as “an invisible hand of the market” does not always provide essential and equal conditions. The importance of assessing the conditions and their comparability worldwide are crucial for investors, creditors and other interested parties (“stakeholders”) because they are interested in the state of development, specific conditions and protection of their interests.

One of the indicators of the ease of doing business in the world is the international rankings which include the assessment of the taxation system of the country. The most popular international ranking assessing the ease of doing business in the world recently is “Doing Business” index which is prepared by The World Bank Group and is promulgated at <http://www.doingbusiness.org.ua>. “Doing Business” index determines the quality of business regulations which enhance or constrain business activity, the use of the regulations in different countries, regions and selected cities.

Among the areas of evaluation much emphasis is put on tax system. The “Paying Taxes” indicator which is an important component of the ranking is additionally published in separate reports “Paying Taxes” which are compiled by the World Bank in collaboration with the auditing firm PricewaterhouseCoopers (PwC) to assess the quality of the tax system for business and are officially published on the website <http://www.pwc.com>.

A continuous assessment and comparative analyses, identification of the factors that influence the changes of indicators and their critical assessment is an insistent task of scientific and practical direction.

The issue of Ukraine’s place in the international rankings in various aspects (entrepreneurship, impact on economic security, elimination of infor-

mation asymmetry at the macroeconomic level, investment attractiveness of the country, human development, the effectiveness of the institution of bankruptcy, development of the taxation system and implementing tax policy etc.) was studied by the scholars L. Antoniuk, O. Bilorus, O. Butska, B. Danylyshyn, Ya. Zhalilo, Yu. Ivanov, I. Kryvov'yazyuk, D. Lukyanenko, O. Moldovan, V. Moroz, V. Muntiyan, G. Pasternak-Taranushenko, N. Pedchenko, O. Plastun, D. Pokryshka, I. Repina, T. Chechetova-Terashvili, O. Shkurpiy, M. Shuba, Yu. Hvatov, G. Yastrebova et al. The scholars critically analyze the methodology of calculation of the international rankings; constantly develop complex scientific and practical recommendations to improve the investment, business and tax environment in Ukraine. Nevertheless, we consider the appropriate deep study of the place of Ukraine and Georgia in the international rankings with a focus on the assessment of the taxation system as an important and integral part of the business environment. Such comparative analysis is important because Ukraine and Georgia had almost identical starting positions for the development after the collapse of the USSR, and now both countries are on the way to intensifying the processes of European integration.

The objective of the study is the comparative characteristics of the positions of Ukraine and Georgia among other countries by the international “Doing Business” and “Paying Taxes” rankings.

“Doing Business” is the ranking which has existed since 2003 and is usually published in autumn. The number of countries covered by the ranking is constantly increasing: 2004 – 133, 2005 – 145, 2006 – 155, 2007 – 175, 2008 – 178, 2009 – 181, 2010-2012 – 183, 2013 – 185, 2014-2016 – 189, 2017-2018 – 190. The studies indicate not only the problems that hold back business development but determine the cause and include recommendations on the necessary reforms.

CHAPTER 1. HISTORICAL AND SOCIO-ECONOMIC PREREQUISITES FOR THE DEVELOPMENT OF RELATIONS BETWEEN GEORGIA AND UKRAINE

Currently the ranking consist of 11 indicators including ten major and one extra (table 1)³¹. The additional indicator describes the state of the labour market regulation, and its specificity is that it is not included in comprising the overall ranking (in 2011 a similar indicator was part of the main indicators).

Table 1

“Doing Business” indicators

Indicator	Description
<i>Basic</i>	
<i>Starting a business</i>	reveals the bureaucratic and legal obstacles that an entrepreneur must overcome in the process of creation and registration of a new company. The total number of procedures as well as their costs and duration which entrepreneurs must undergo to register a limited liability company from applying to the beginning of operation are determined
<i>Dealing with construction permits (till 2008 - Dealing with licenses)</i>	records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure; deals with building regulations, including approvals, permit issuance and inspections
<i>Getting electricity</i>	records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse
<i>Registering property</i>	records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer’s name so that the buyer can use the property for expanding its business
<i>Getting credit</i>	measures the legal rights of borrowers and lenders with respect to secured transactions through one set of indicators and the reporting of credit information through another
<i>Protecting minority investors (till 2014 - Protecting investors)</i>	measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders’ rights in corporate governance through another
<i>Paying taxes</i>	records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions and complying with post-filing procedures

31 Doing Business 2018. Reforming to Create Job. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-Report.pdf> [in English]

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Indicator	Description
Trading across borders	records the time and cost associated with the logistical process of exporting and importing goods (including the time for preparation of the required documents)
Enforcing contracts	measures the time and cost for resolving a commercial dispute through a local first-instance court and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system
Resolving insolvency (till 2011 – Closing a business)	studies the time, cost and outcome of insolvency proceedings involving domestic entities as well as the strength of the legal framework applicable to judicial liquidation and reorganization proceedings. The data for the resolving insolvency indicators are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on insolvency systems
Additional	
Labour market regulation	studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy

The analysis of the indicators presented in the reports “Doing Business” (2004-2018)³² allows highlighting the following limitations in data usage:

- 32 Doing Business 2018. Reforming to Create Job. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-Report.pdf> [in English]; Doing Business 2017. Equal Opportunity for All. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2017> [in English]; Doing Business 2016. Measuring Regulatory Quality and Efficiency. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2016> [in English]; Doing Business 2015. Going Beyond Efficiency. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2015> [in English]; Doing Business 2014. Understanding Regulations for Small and Medium-Size Enterprises. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2014> [in English]; Doing Business 2013. Smarter Regulations for Small and Medium-Size Enterprises. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2013> [in English]; Doing Business 2012. Doing Business in a More Transparent World. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2012> [in English]; Doing Business 2011. Making a difference for entrepreneurs. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2011> [in English]; Doing Business 2010. Reforming through difficult times. <http://www.doingbusiness.org>.

1. *Insufficient detail of the data in the 2004-2006 reports.* Thus, in the reports (2004-2005) only data on specific indicators were presented, general indicators were not presented. In the report (2006) only the overall rating and indicators by components of indicators are presented.

2. *Changing of indicators.* The system of indicators used to calculate the general ranking is not permanent; in particular, the titles of three indicators have been changed. The indicator “Employing workers” indicator was used till 2010 and later has been replaced by the additional indicator “Labor Market Regulation”. Since 2012 the indicator “Getting electricity” has been introduced.

3. *There is no complete comparison between the data.* For example, the data for Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Trading across Borders, Enforcing Contracts and Resolving Insolvency are not comparable between Doing Business 2014 and Doing Business 2015 due to methodological changes. The data for Registering Property, Paying Taxes and Enforcing Contracts are not comparable between Doing Business 2015 and Doing Business 2016 due to methodological changes.

ingbusiness.org. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2010> [in English]; Doing Business 2009. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2009> [in English]; Doing Business 2008. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2008> [in English]; Doing Business 2007. How to reform. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2007> [in English]; Doing Business 2006. Creating jobs. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2006> [in English]; Doing Business 2005. Removing obstacles to growth. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2005> [in English]; Doing Business 2004. Understanding regulations. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2004> [in English].

A detailed description of the changing in the general ranking “Doing Business” and indicator “Paying Taxes” of Ukraine and Georgia is presented in Fig. 1, 2, and in table 2 - changes of all indicators.

According to the report of 2017³³ Ukraine has ranked 80 among 190 countries rated by “Doing Business 2017” (tab. 2) which is one position higher in comparison with the rating of “Doing Business 2016”. According to the “Doing Business 2018”³⁴ Ukraine ranks 76 among 190 countries. Georgia is now ranked among the top 10 economies in Doing Business. The leader is New Zealand. This country is followed by Singapore, Denmark, South Korea and Hong Kong. These five leaders remain unchanged in reports “Doing Business 2017” and “Doing Business 2018”.

In comparison with 2016 Ukraine improved its positions by the following indicators: starting a business – from 24 to 20; getting electricity – from 140 to 130; protecting minority investors – from 101 to 70; enforcing contracts – from 93 to 81. The report “Doing Business 2017” highlights the reforms made in Ukraine in the spheres of protecting minority investors and enforcing contracts. But there are spheres in which indicators lowered or stayed at the same positions. They are: resolving insolvency – from 148 to 150; trading across borders – from 110 to 115; paying taxes – from 83 to 84; registering property – from 62 to 63; getting credit – from 19 to 20; dealing with construction permits – from 137 to 140.

33 Doing Business 2017. Equal Opportunity for All. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/reports/global-reports/doing-business-2017> [in English]

34 Doing Business 2018. Reforming to Create Job. <http://www.doingbusiness.org>. Retrieved from <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-Report.pdf> [in English]

CHAPTER 1. HISTORICAL AND SOCIO-ECONOMIC PREREQUISITES FOR THE DEVELOPMENT OF RELATIONS BETWEEN GEORGIA AND UKRAINE

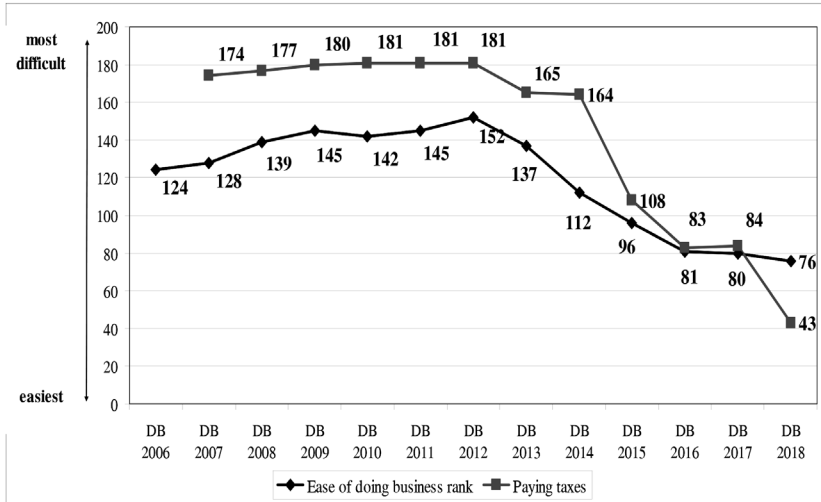


Figure 1. Ranks of Ukraine in “Doing Business”

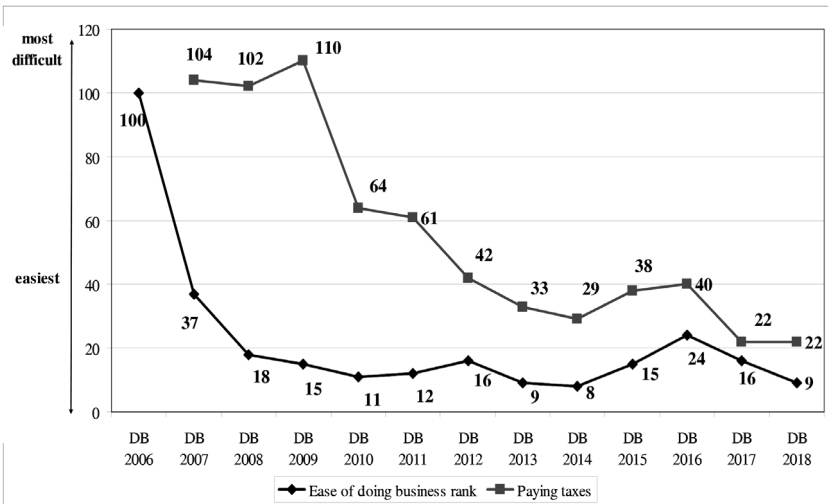


Figure 2. Ranks of Georgia in “Doing Business”

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Table 2

Ranks of Ukraine and Georgia in “Doing Business”

Name	Ukraine										Georgia																
	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010	DB 2011	DB 2012	DB 2013	DB 2014	DB 2015	DB 2016	DB 2017	DB 2018	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010	DB 2011	DB 2012	DB 2013	DB 2014	DB 2015	DB 2016	DB 2017	DB 2018	
Ease of doing business rank	124	128	139	145	142	145	152	137	112	96	81	80	76	100	37	18	15	11	12	16	9	8	8	15	24	16	9
Starting a business	-	101	109	128	134	118	112	50	47	76	24	20	52	-	36	10	4	5	8	7	7	7	8	5	6	8	4
Dealing with licenses	-	107	174	-	-	-	-	-	-	-	-	-	-	-	42	11	-	-	-	-	-	-	-	-	-	-	-
Dealing with construction permits	-	-	-	179	181	179	180	183	41	70	137	140	35	-	-	-	10	7	7	4	3	2	3	11	8	29	
Employing workers	-	107	102	100	83	-	-	-	-	-	-	-	-	-	6	4	5	9	-	-	-	-	-	-	-	-	-
Getting electricity	-	-	-	-	-	-	169	166	172	185	140	130	128	-	16	11	2	2	2	1	1	1	1	3	3	4	
Registering property	-	133	138	140	141	164	166	149	97	59	62	63	64	-	48	48	28	30	15	8	4	3	7	7	7	12	
Getting credit	-	65	68	28	30	32	24	23	13	17	19	20	29	-	135	33	38	41	20	17	19	16	-	-	-	-	
Protecting investors	-	142	141	142	109	109	111	117	128	-	-	-	-	-	-	-	-	-	-	156	157	162	142	148	150	149	
Protecting minority investors	-	-	-	-	-	-	-	-	-	109	101	70	81	-	-	-	-	-	-	-	-	-	-	-	-	-	
Paying taxes	-	174	177	180	181	181	165	164	164	108	83	84	43	-	104	102	110	64	61	42	33	29	38	40	22	62	
Trading across borders	-	106	120	131	139	139	140	145	148	154	110	115	119	-	95	64	81	30	35	54	38	43	33	78	54	62	
Enforcing contracts	-	26	46	49	43	43	44	42	45	43	93	81	82	-	32	42	43	41	41	41	30	33	23	13	16	7	
Closing a business	-	139	140	143	145	150	-	-	-	-	-	-	-	-	86	105	92	95	105	-	-	-	-	-	-	-	-
Resolving insolvency	-	-	-	-	-	-	156	157	162	142	148	150	149	-	-	-	-	-	-	109	81	88	122	101	106	57	
Ease of doing business rank	100	37	18	15	11	12	16	9	8	15	24	16	9	100	37	18	15	11	12	16	9	8	15	24	16	9	
Starting a business	-	36	10	4	5	8	7	7	8	5	6	8	4	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dealing with licenses	-	42	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dealing with construction permits	-	-	-	10	7	7	4	3	2	3	11	8	29	-	-	-	-	-	-	-	-	-	-	-	-	-	
Employing workers	-	6	4	5	9	-	-	-	-	-	-	-	-	-	6	4	5	9	-	-	-	-	-	-	-	-	
Getting electricity	-	16	11	2	2	2	1	1	1	1	3	3	4	-	-	-	-	-	-	89	50	54	37	62	39	30	
Registering property	-	48	48	28	30	15	8	4	3	7	7	7	12	-	-	-	-	-	-	-	-	-	-	-	-	-	
Getting credit	-	135	33	38	41	20	17	19	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Protecting investors	-	-	-	-	-	-	-	-	-	43	20	7	2	-	-	-	-	-	-	-	-	-	-	-	-	-	
Protecting minority investors	-	-	-	-	-	-	-	-	-	43	20	7	2	-	-	-	-	-	-	-	-	-	-	-	-	-	
Paying taxes	-	104	102	110	64	61	42	33	29	38	40	22	62	-	104	102	110	64	61	42	33	29	38	40	22	62	
Trading across borders	-	95	64	81	30	35	54	38	43	33	78	54	62	-	95	64	81	30	35	54	38	43	33	78	54	62	
Enforcing contracts	-	32	42	43	41	41	41	30	33	23	13	16	7	-	32	42	43	41	41	41	30	33	23	13	16	7	
Closing Business	-	86	105	92	95	105	-	-	-	-	-	-	-	-	86	105	92	95	105	-	-	-	-	-	-	-	-
Resolving insolvency	-	-	-	-	-	-	109	81	88	122	101	106	57	-	-	-	-	-	-	109	81	88	122	101	106	57	

The success on four indicators has allowed for Ukraine to rise in the overall rating. Ukraine has shown the greatest growth in the “dealing with constructing permits”, which moved on to 105 points because Ukraine reduced the cost of construction by significantly lowering mandatory investor contributions to Kyiv’s social and engineering-transport infrastructure.

Also, the rating shows an increase of 41 points in “paying taxes” (Ukraine introduced in 2016 a flat rate of 22% for the Unified Social Contribution Tax paid by employers, which replaced the previous differentiated rates ranging from 36.76% to 49.7%), 2 points (from 130 to 128) - in “getting electricity” and 1 point (from 150 to 149) - in “resolving insolvency”. At the same time Ukraine has fallen 32 points (from 20 to 52) in “starting business”, 11 (from 70 to 81) in “protecting minority investors”, 9 (from 20 to 29) - in “getting credit”, 4 - in “trading across borders” (from 115 to 119) and 1 - in “registering property” (from 63 to 64) and “enforcing contracts” (from 81 to 82).

The reports show that it is necessary to implement reforms of deregulation because Ukraine is considerably behind the neighboring countries: in “Doing Business 2017” Georgia holds the 16th place, Poland – the 24th, Romania – the 36th, Belarus – the 37th, Hungary – the 41st, Moldova – the 44th and Turkey – the 69th; in “Doing Business 2018” Georgia holds the 9th place, Poland – the 27th, Romania – the 45th, Belarus – the 38th, Hungary – the 48th, Moldova – the 44th and Turkey – the 60th.

The comparison of indicators of Georgia and Ukraine in the rankings of “Doing Business 2017” and “Doing Business 2018” is presented in Table 3.

Georgia is ahead of Ukraine by almost all indicators. Only six indicators in Ukraine had slightly better positioning in Doing Business-2017: (1) cost of starting business (% of income per capital); (2) building quality control index; (3) extent of corporate transparency index; (4) border compliance (cost of export); (5) border compliance (cost of import); (6) strength of insolvency framework index.

Table 3

**Indicators of Georgia and Ukraine in the ranking of
“Doing Business – 2017”**

Indicator	Doing Business – 2017			Doing Business – 2018		
	Georgia	Ukraine	Distance	Georgia	Ukraine	Distance
Ease of doing business rank	16	80	+64	9	76	+67
<i>Population</i>	<i>3,679,000</i>	<i>45,198,200</i>	<i>+41,519,200</i>	<i>3,719,300</i>	<i>45,004,645</i>	<i>+41,285,345</i>
<i>GNI per capita (US\$)</i>	<i>4,160</i>	<i>2,620</i>	<i>-1,540</i>	<i>3,810</i>	<i>2,310</i>	<i>-1,500</i>
Starting a business	8	20	+12	4	52	+48
Procedures (number)	3	4	+1	2	6	+4
Time (days)	3	5	+2	2	6.5	+4.5
Cost (% of income per capital)	2.4	0.5	-1.9	2.5	0.8	-1.7
Minimum capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0
Dealing with construction permits	8	140	+132	29	35	+6
Procedures (number)	7	10	+3	11	10	-1
Time (days)	48	67	+19	63	76	+13
Cost (% of warehouse value)	0.2	15.2	+15	0.3	3.1	+2.8
Building quality control index (0-15)	7.0	8.0	+1	7.0	8.0	+1
Getting electricity	39	130	+91	30	128	+98
Procedures (number)	4	5	+1	3	5	+2
Time (days)	71	281	+210	71	281	+210
Cost (% of income per capital)	354.0	637.6	+283.6	176.8	525.2	+348.4
Reliability of supply and transparency of tariffs index (0-8)	6	6	0	5	6	+1
Registering property	3	63	+60	4	64	+60
Procedures (number)	1	7	+6	1	7	+6
Time (days)	1	23	+22	1	17	+16
Cost (% of property value)	0.0	1.9	+1.9	0.0	1.8	+1.8
Quality of land administration index (0-30)	21.5	15.5	-6	21.5	14.5	-7
Getting credit	7	20	+13	12	29	+17
Strength of legal rights index (0-12)	9	8	-1	9	8	-1
Depth of credit information index (0-8)	8	7	-1	8	7	-1
Credit bureau coverage (% of adults)	88.6	40.0	-48.6	95.7	47.3	-48.4
Credit registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0
Protecting minority investors	7	70	+63	2	81	+79

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Indicator	Doing Business – 2017			Doing Business – 2018		
	Georgia	Ukraine	Distance	Georgia	Ukraine	Distance
Extent of disclosure index (0-10)	9	6	-3	9	7	-2
Extent of director liability index (0-10)	6	2	-4	6	2	-4
Ease of shareholder suits index (0-10)	8	6	-2	9	6	-3
Extent of shareholder rights index (0-10)	7	6	-1	7	5	-2
Extent of ownership and control index (0-10)	8	5	-3	9	5	-4
Extent of corporate transparency index (0-10)	8	9	+1	9	8	-1
Paying taxes	22	84	+62	22	43	+21
Payments (number per year)	5	5	0	5	5	0
Time (hours per year)	270	355.5	+85.5	269	327.5	+58.5
Total tax rate (% of profit)	16.4	51.9	+35.5	16.4	37.8	+21.4
Post-filing index (0-100)	87.22	79.26	-7.96	85.89	85.95	+0.06
Trading across borders	54	115	+61	62	119	+57
Time to export						
Documentary compliance (hours)	2	96	+94	2	96	+94
Border compliance (hours)	14	26	+12	48	26	-22
Cost to export						
Documentary compliance (US\$)	35	292	+257	35	292	+257
Border compliance (US\$)	383	75	-308	383	75	-308
Time to import						
Documentary compliance (hours)	2	168	+166	2	168	+166
Border compliance (hours)	15	72	+57	15	72	+57
Cost to import						
Documentary compliance (US\$)	189	212	+23	189	212	+23
Border compliance (US\$)	396	100	-296	396	100	-296
Enforcing contracts	16	81	+65	7	82	+75
Time (days)	285	378	+93	285	378	+93
Cost (% of claim)	29.9	46.3	+16.4	25.0	46.3	+21.3
Quality of judicial processes index (0-18)	12.0	9.0	-3	12,5	9.0	-3.5
Resolving insolvency	106	150	+44	57	149	-92
Time (years)	2.0	2.9	+0.9	2.0	2.9	+0.9
Cost (% of estate)	10.0	42.0	+32	10.0	40.5	+30.5
Recovery rate (cents on the dollar)	39.5	7.5	-32	39.4	8.9	-30.5
Strength of insolvency framework index (0-16)	6.0	7.5	+1.5	11.0	7.5	-3.5

In “Doing Business 2018” eight indicators of Ukraine have better positioning: (1) cost of starting business (% of income per capital); (2) number of procedures in dealing with construction permits; (3) building quality control index; (4) reliability of supply and transparency of tariffs index; (5) post-filing index; (6) border compliance (time to export); (7) border compliance (cost of export); (8) border compliance (cost of import).

On four indicators Georgia and Ukraine have equal positions: (1) minimum capital of starting business (% of income per capital); (2) credit registry coverage (% of adults); (3) payments of taxes (number per year).

In Summaries of Doing Business Reforms which are presented in reports “Doing Business” all measures classifies in two groups: (1) reform making it easier to do business; (2) change making it more difficult to do business.

Only in the reports of 2012 and 2009 Ukraine was noted as having introduced reforms and changes making it more difficult to do business. In 2009 such reforms were identified in the sphere of “dealing with construction permits” (increase of the cost and number of permits). In 2012 such reforms were identified in the sphere of “trading across borders” (introduction of additional inspections). Georgia has never been included in the list of countries that by their reforms making it more difficult to do business.

For Ukraine and Georgia in reports “Doing Business 2017” and “Doing Business 2018” reforms only of the first group have been identified, and this characterizes both countries positively. In 2017 for Georgia such reforms have been identified in five spheres, and for Ukraine - only in two spheres, in 2018 such reforms identified in three spheres for both countries (table 4).

In each report, beginning from 2008, 10 countries are allocated as the most improved environment for the development of the business. Ukraine was noted in report “Doing Business 2014” – the 1st place, report “Doing Business 2013” – the 3rd place. Georgia was included in such a list in the reports “Doing Business-2017” and “Doing Business-2008”. Georgia belongs to the group of the 10 economies showing the most notable improvement in performance on the Doing Business indicators of 2017.

Table 4

Georgia and Ukraine in Summaries of Doing Business Reforms

Ukraine	Georgia
in 2015/2016 according to “Doing Business – 2017”	
<p>Protecting minority investors Ukraine strengthened minority investor protections by requiring interested director or shareholder to be excluded from the vote, by requiring that proposed related-party transactions undergo external review, by introducing remedies in cases where related party transactions are harmful to the company and also clarifying ownership and control structures.</p> <p>Enforcing contracts Ukraine made enforcing contracts easier by introducing a system that allows users to pay court fees electronically.</p>	<p>Getting electricity Georgia improved the reliability of electricity supply by introducing penalties for the utility for having worse scores on the annual system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI) than the previous year. Georgia also mandated the notification of customers by the utility of planned electricity outages.</p> <p>Registering property Georgia improved the quality of land administration by increasing coverage of all maps for privately held land plots in the main business city.</p> <p>Protecting minority investors Georgia strengthened minority investor protections by increasing shareholder rights and role in major corporate decisions and by clarifying ownership and control structures.</p> <p>Trading across borders Georgia made export and import documentary compliance faster by improving its electronic document processing system. It also introduced an advanced electronic document submission option.</p> <p>Paying taxes Georgia made paying taxes easier by abolishing additional annex to corporate income tax returns and by improving the efficiency of the online system used for filing VAT returns.</p>
in 2016/2017 according to “Doing Business – 2018”	
<p>Dealing with construction permits Ukraine made dealing with construction permits easier by reducing fees.</p> <p>Protecting minority investors Ukraine strengthened minority investors protections by requiring detailed immediate public disclosure of related party transactions.</p> <p>Paying taxes Ukraine made paying taxes easier by reducing the rate for the unified social contribution tax.</p>	<p>Getting electricity Georgia made getting electricity more affordable by reducing connection costs for new customers.</p> <p>Protecting minority investors Georgia strengthened minority investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties, by increasing shareholder rights and role in major corporate decisions and clarifying ownership and control structures.</p> <p>Resolving insolvency Georgia made resolving insolvency easier by making insolvency proceedings more accessible for debtors and creditors, improving provisions on treatment of contracts during insolvency and granting creditors greater participation in important decisions during the proceedings.</p>

Georgia increased the reliability of the electricity supply by starting to penalize utilities for having poor power outage indicators, also strengthened minority investor protections by increasing shareholder rights in major decisions, clarifying ownership and control structures and requiring greater corporate transparency. Georgia made import and export documentary compliance faster by improving its electronic document processing system.

In the reports “Doing Business” Ukraine and Georgia are in the group of countries “Europe & Central Asia” which covers 24 countries (Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Romania, Russian Federation, San Marino, Serbia, Tajikistan, Turkey, Ukraine, Uzbekistan). The indicators of the countries with this mini-ranking are presented in Fig. 3 and Fig. 4.

In 2017 Georgia has ranked the 3rd among the countries of Europe & Central Asia giving upper places only to Macedonia & Latvia. Ukraine holds the 22nd place being ahead only of Bosnia and Herzegovina, Uzbekistan and Tajikistan. Over 10 indicators position Georgia in the top five. Only by two indicators (resolving insolvency and trading across borders) Georgia holds the lowest position. Ukraine, by contrast, only by two indicators (starting a business and getting credit) holds high positions.

The most reformed Doing Business areas in Europe and Central Asia are starting a business, paying taxes and getting credit. Georgia (among such countries as Macedonia, Kazakhstan, Belarus, Armenia, and the Russian Federation) have made the most reforms in Europe and Central Asia, implementing over 30 reforms each since 2004. Moreover, seven countries in the region (Armenia, Belarus, Georgia, Kazakhstan, Lithuania, and Macedonia) and among them Ukraine - reformed across all Doing Business indicators.

Georgia currently holds the 1st place (the 3rd place - in the report of 2017). For 2 indicators Georgia occupies the 1st place, for 3 indicators - the 2nd place, for 1 indicator - the 3rd place, for 2 indicators - the 5th place.

CHAPTER 1. HISTORICAL AND SOCIO-ECONOMIC PREREQUISITES FOR THE DEVELOPMENT OF RELATIONS BETWEEN GEORGIA AND UKRAINE

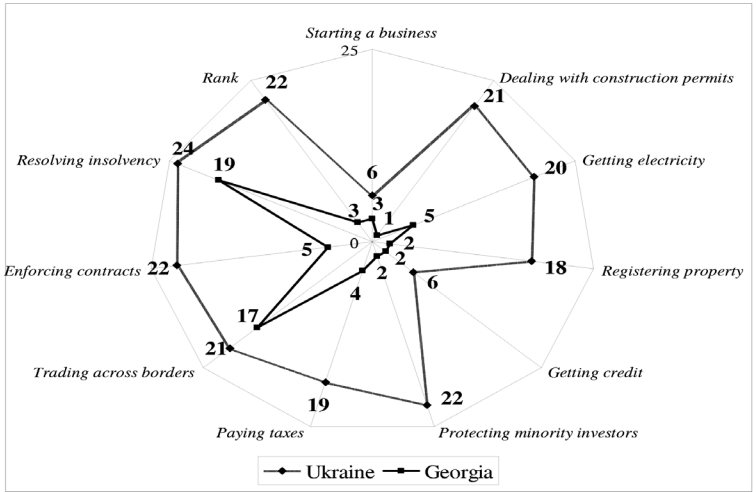


Figure 3. Ranking "Doing Business 2017" of Ukraine and Georgia among Europe & Central Asia countries (24 countries)

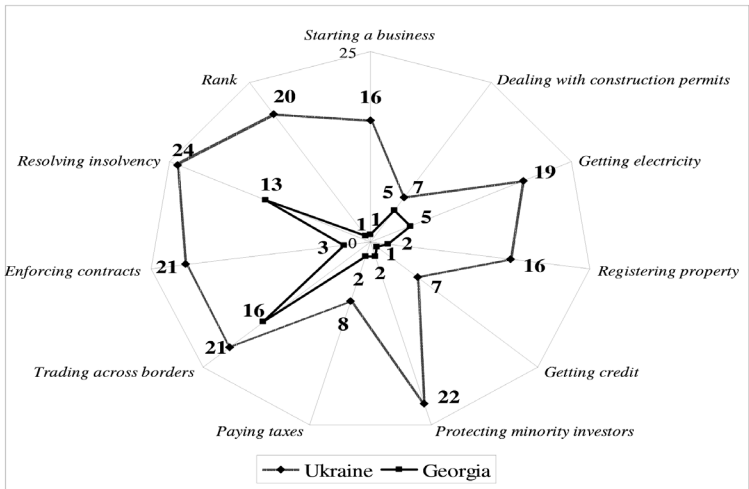


Figure 4. Ranking "Doing Business 2018" of Ukraine and Georgia among Europe & Central Asia countries (24 countries)

For eight indicators Georgia is in the top five. Only two indicators (“resolving insolvency” and “trading across borders”) are Georgia’s low positions (accordingly 13th and 16th places). On the contrary, Ukraine, on the basis of only three indicators (“dealing with construction permits”, “getting credit”, “paying taxes”), holds high positions – the 7th and 8th places, but not in the group of top five leaders.

Rating of “Paying Taxes” evaluates tax burden of an average enterprise in terms of administration and payment of corporate income tax, social contributions, taxes withheld from the income of employees, property taxes, taxes on transfer of property, taxes on dividends and other obligatory payments which have to be paid by business. In addition, the analysis is made on the information on the frequency of submission of tax returns and payment of taxes, as well as the time required to perform tax obligations by business. The ranking also includes the assessment of the processes that follow tax payments, in particular tax audits, receiving budgetary claims, administrative appeals. Such complex of indicators allows making a detailed analysis of tax systems. The indicator “Paying Taxes” is evaluated by the following parameters (table 5).

Table 5

Indicators of “Paying Taxes”

Indicator	Description
<i>the number of payments</i>	measures the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the manner in which those filings and payments are made
<i>total tax rate</i>	the measure of tax cost, the total of all taxes borne as a percentage of commercial profit
<i>the time to comply with the three main taxes</i>	three main taxes include corporate income taxes, labour taxes and mandatory contributions, and consumption taxes; time captures the time required to prepare, file and pay each tax type;
<i>post-filing index</i>	<ul style="list-style-type: none"> • based on four equally weighted components: <ol style="list-style-type: none"> 1) time to comply with a VAT refund (hours); 2) time to obtain a VAT refund (weeks); 3) time to comply with a CIT audit (hours); 4) time to complete a CIT audit (weeks)

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Based on the report “Paying Taxes 2017”³⁵ and “Paying Taxes 2018”³⁶ the comparison of Ukraine and Georgia with other countries and groups of countries (table 6) shows that Ukraine and Georgia has favourable conditions by such indicators as “Number of tax payments” and “Post-filing index” but too much time for calculation and payment of taxes and a relatively high overall tax rate.

Table 6

Comparison of the indicators of Ukraine and Georgia by the indicator “Paying Taxes” with other countries and group of countries

Indicator	Ukraine	Georgia	Europe and Central Asia (24 countries)	OECD high income (32 countries)	New Zealand	Poland
“Paying Taxes - 2017”						
Rank among all countries	84	22	-	-	11	47
Number of tax payments	5.0	5.0	17.6	10.9	7.0	7.0
Time for calculation and tax payments	355.5	270.0	221.5	163.4	152.0	271.0
Overall tax rate (% of income before taxation)	51.9	16.4	33.8	40.9	34.3	40.4
Post-filing index (0-100)	79.3	87.2	71.9	85.1	96.9	92.2
“Paying Taxes - 2018”						
Rank among all countries	43	22	51	-	-	9
Number of tax payments	5	5	7	16.5	10.9	7
Time for calculation and tax payments	328	269	260	218.4	160.7	140
Overall tax rate (% of income before taxation)	37.8	16.40	40.5	33.1	40.1	40.1
Post-filing index (0-100)	85.95	85.89	77.36	65.20	83.45	96.90

As noted in the report “Paying Taxes 2017” average companies in the world spend 251 hours on tax calculation, preparation of reports and pay-

35 Paying Taxes 2017. <http://pwc.com>. Retrieved from <http://pwc.com/gx/en/paying-taxes/pdf/pwc-paying-taxes-2017.pdf> [in English].

36 Paying Taxes 2018. <http://pwc.com>. Retrieved from <http://pwc.com/gx/en/paying-taxes/pdf/pwc-paying-taxes-2018.pdf> [in English].

ments, perform 25 payments at an average total tax rate of 40.6% of income before taxation. As noted in the report “Paying Taxes 2018” average companies in the world spend 240 hours on tax calculation, preparation of reports and payments, perform 24 payments at an average total tax rate of 40.5% of income before taxation.

Indicators of mini-ranking of the EU countries in 2017 are: (1) general tax rate: from 20.8% (Luxembourg) to 62.8% (France); (2) time for calculation and payment of taxes: from 52 hours. (San Marino) to 453 (Bulgaria) (Bulgaria is far ahead of other EU countries; Hungary in ahead of it with the figure of 277 hours); (3) number of payments: 4 (Norway) to 31 (Croatia); (4) index of procedures after reporting: from 48.4 (Italy) to 98.6 (San Marino). Indicators of mini-ranking of the EU countries in 2018 are: (1) general tax rate: from 20.5% (Luxembourg) to 62.2% (France); (2) time for calculation and payment of taxes: from 50 hours (Estonia) to 453 (Bulgaria) (Bulgaria is far ahead of other EU countries; Hungary in ahead of it with the figure of 277 hours); (3) number of payments: 4 (Norway) to 35 (Croatia); (4) index of procedures after reporting: from 52.4 (Italy) to 99.4 (Estonia).

In the report of “Paying Taxes 2017” Ukraine and Georgia are analyzed in the group “Central Asia & Eastern Europe” in comparison with 19 countries (not 24 as in Doing Business): Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Israel, Kazakhstan, Kosovo, Kyrgyz Republic, Macedonia, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan.

Among these countries Ukraine and Georgia has the lowest number of tax payments which is 5. Other countries have more payments: from 6 (Azerbaijan) to 51 (Kyrgyzstan). In 2017 the total tax rate in Ukraine was one of the highest which is 51.9% (ahead of Ukraine only Belarus – 54.8% and Tajikistan – 65.2%). In 2018 the general tax rate of Ukraine (37.8%) corresponds to the average, the lowest in Macedonia - 13.0%, the highest in Tajikistan - 65.2%. In Georgia, the total tax rate is 16.4%. Index of calcula-

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tion of taxes is one of the highest in Ukraine and equals 355.5 hours in 2017 and 328 hours in 2018 (the index are higher only in Bosnia and Herzegovina – 411 hours), the smallest indicator in Macedonia - 119 hours. But this index (269-270 hours) is also high in Georgia. Ukraine substantially improved its position post-filing index: in the report of 2018 - 3rd place, ahead even of Georgia (table 7).

Table 7

Components of Post-filing index of the countries of Central Asia& Eastern Europe (19 countries)

Indicator	Ukraine	Georgia	Easiest	Most difficult
"Paying Taxes - 2017"				
<i>Post-filing index</i>	Ukraine	Georgia	Serbia	Turkey
	79.3	87.2	94.0	3.9
Components:				
1. VAT compliance time (hours)	16.0	20.5	4.0	No refund
2. VAT waiting time (weeks)	28.2	8.5	8.2	No refund
3. CIT audit compliance time (hours)	3.0	1.5	5.0	47.5
4. CIT audit completion time (weeks).	0.0	0.0	0.0	32.1
"Paying Taxes - 2018"				
<i>Post-filing index</i>	Ukraine	Georgia	Serbia	Kyrgyz Republic
	85.95	85.89	91.1	3.9
Components:				
1. VAT compliance time (hours)	16.0	21,5	4,0	No refund
2. VAT waiting time (weeks)	14.3	10,2	14,7	No refund
3. CIT audit compliance time (hours)	3.0	1,0	4,5	20,0
4. CIT audit completion time (weeks).	Audit likelihood < 25%	Audit likelihood < 25%	Audit likelihood < 25%	5,3

If the assessment of an economy of “Paying Taxes” indicator increased or decreased by 2% or more to the extreme limit, the changes in tax legisla-

tion that led to it can be qualified as a reform. Moreover, these reforms fall into two categories: reforms that simplify business and reforms that complicate business. Since 2004 there have been 443 reforms in the tax area in the world. The reforms were aimed at doing business easier.

The positive indicators should be considered critically. In 2010 Ukraine was on the 181 position in the ranking “Paying Taxes”, and it was almost the worst among the countries of the world.

The main negative factors that determined the low competitive position of the Ukrainian tax system were:

- instability, internal contradictions and inconsistencies in tax legislation;
- high tax burden on business;
- misallocation of tax burden among factors of production;
- complexity of tax administration;
- indiscriminate and unjustified tax privileges and exemptions which increase the tax burden on efficient companies that honestly pay taxes³⁷.

In 2015 Ukraine held the 108th position. This increase was due to the reforms in the tax sphere, adoption of the Tax Code and its reforming in 2015. The most significant improvements include the following:

- introduction of potentially effective set of tax incentives and stimuli for business support;
- establishment of the mechanism for automatic reimbursement of VAT;
- building up tax service centers that will provide a more comfortable environment for taxpayers;

37 Pokryshka, D., Zhalilo, Ya., Liapin, D., Belinsky, Ya., Moldovan, O., & Skyba, M. (2010). *Mechanisms of development of entrepreneurship in the conditions of post-crisis recovery of economy of Ukraine*. Kyiv: NISD <http://www.niss.gov.ua>. Retrieved from http://www.niss.gov.ua/content/articles/files/pokryshka_m_r-47e13.pdf [in Ukrainian].

- formation of electronic channels of communication with taxpayers;
- reducing the number of regulatory organizations;
- reducing social security payments and reduction of the amount of reporting³⁸.

In the report “Doing Business-2018” Ukraine is noted twice: as the country that reduced the overall tax rate and as the country, which simplified the procedures after reporting and tax calculation. But we must to consider the existence of a significant period of time between the reforms and their impact on the indicators and the overall rating. So in 2016 in our country the rate of the single social contribution was reduced to 22%, which replaced differentiated rates of 36.76% – 49.7%. But this reduction was taken into account only in the report “Doing Business-2018”. And in this report our country was marked as having introduced the greatest reduction of the general tax rate.

Improvement of the tax policy and development of tax environment should be conducted in the following areas:

- improvement of consumption taxes; improvement of taxation system for legal entities; use of the experience of personal income tax of foreign countries in Ukraine; improvement of the tax benefits system³⁹;
- reducing the number of social security payments and reduction of the amount of reporting; bringing to order the system of refunding VAT; introduction of the institution of a consolidated group of tax-

38 Moldovan, O. (2014). Creation of a Favorable Fiscal Climate for Business Activities in the Ukraine: Main Problems and Ways of Overcoming. *Economic Bulletin of Donbas*, №2(36). 98-104. Retrieved from <http://dspace.nbu.gov.ua/bitstream/handle/123456789/88584/14-Moldovan.pdf?sequence=1> [in Ukrainian].

39 Pedchenko, N., & Strilets, V. (2015). Implementation of foreign experience of tax policy in Ukraine. *Scientific Bulletin of Poltava University of Economics and Trade. Series: Economics*, 1 (69), 1, 179-187. Retrieve from [http://nbuv.gov.ua/UJRN/Nv-pusk_2015_1\(1\)_27](http://nbuv.gov.ua/UJRN/Nv-pusk_2015_1(1)_27). [in Ukrainian].

payers; simplification of tax reporting and accounting for certain taxes; return to the previous mechanism for calculating income tax which was based on the actual rates of profit; improving information technology of communication between payers and regulatory organizations and expand “on-line” services⁴⁰.

According to the average estimates of experts of the World Bank one point in the ranking of “Doing Business” brings the country about 500-600 million US Dollars of investments. In order to improve business climate in Ukraine and Ukraine’s position in the ranking of Doing Business, the Ministry of Economic Development together with the Better Regulation Delivery Office developed a roadmap which consists of 43 issues. The roadmap was approved by the Cabinet of Ministers of Ukraine №1406 on December 16, 2015⁴¹.

The further increasing of the ranking of Ukraine and Georgia in the world economy in general and in different areas in particular (trade, financial, social, etc.) is impossible without forming a solid basis for internal development which is provided by the taxation system. Despite some positive changes Ukraine and Georgia has the potential to improve institutional, administrative and economic instruments in this sphere. However, it is important to avoid activities that “artificially” increase the ranking of the country without real improvement in the area as this may adversely affect the image and reputation of the country causing distrust of the governance and regulation.

40 Moldovan, O. (2014). Creation of a Favorable Fiscal Climate for Business Activities in the Ukraine: Main Problems and Ways of Overcoming. *Economic Bulletin of Donbas*, №2(36). 98-104. Retrieved from <http://dspace.nbuiv.gov.ua/bitstream/handle/123456789/88584/14-Moldovan.pdf?sequence=1> [in Ukrainian].

41 Order of Cabinet of Ministers of Ukraine “On approval of an action plan for the implementation of best practices and effective quality control, reflected in the World Bank Group methodology for ranking” Doing Business “for 2016” of December 16, 2015. <http://zakon5.rada.gov.ua>. Retrieved from <http://zakon5.rada.gov.ua/laws/show/1406-2015-p> [in Ukrainian].

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1.3. PROBLEMS OF INVESTMENT MAINTENANCE OF AGRICULTURAL ENTERPRISES AND THE WAYS OF ITS SOLUTIONS

Long-competitive development in agro-industrial complex of Ukraine in modern conditions depends on appropriate investment maintenance, the essence of which is to create the favorable conditions for functioning modern enterprises of processing and transport industries. The increasing complexity of modern agricultural sector of Ukraine, accompanied by a crisis shocks and instability of economic development, increases the need for stabilization measures aimed on restoring a dynamic overall economic equilibrium. In these circumstances, the transition from a model of simple export of raw materials to the formation an added value in Ukrainian territory, thus creating new jobs in manufacturing, is an important factor in post-crisis development of agro-industrial complex of Ukraine, which actualizes the depth study of these areas and mechanisms of its development.

We believe that the investment maintenance of increasing of the competitiveness of agricultural enterprises, are able to provide not only the production but also the processing of raw materials in Ukraine becomes an important meaning for modern agrarian relations in Ukraine.